



# **Compliance Officers' Certification**

## **Summary of the Syllabus**

## OBJECTIVE OF THE EXAMINATION

The Compliance Officer Certification Examination covers the Regulations governing the businesses of brokerage firms issued by Securities and Exchange Commission of Pakistan, and Stock Exchanges as SROs. The certification examination is intended to enable the individuals designated to undertake or manage the regulatory compliance requirements for their respective firms have the necessary knowledge and skill levels to carry out their responsibilities of their job in a responsible manner.

These certifications are to lay down the minimum standards of knowledge and skills that are required to perform the identified functions those are essential to the job/position of the Compliance Officer.

## TARGET AUDIENCE

This examination will be mandated for the individuals undertaking regulatory Compliance functions at a brokerage firm or supervising the people engaged in compliance activities.

## SYLLABUS STRUCTURE

The unit is divided into elements. These are broken down into a series of learning objectives. Each learning objective begins with one of the following prefixes: **know**, **understand**, **be able to calculate** and also **be able to apply**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** require the candidate to be able to use formulae to perform calculations
- **be able to apply** require the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle

## EXAMINATION SPECIFICATION

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

<b>Examination Specification 100 multiple choice questions</b>			
<b>Exam Section</b>	<b>Element number</b>	<b>Element</b>	<b>Questions</b>
1	1	<b>Fundamentals of Compliance</b>	<b>10</b>
2	2	<b>Compliance Roles and Responsibilities</b>	<b>10</b>
3	3	<b>Establishing and Monitoring Compliance</b>	<b>10</b>
4	4	<b>Risk Management and Compliance</b>	<b>10</b>
	5	<b>Costs and Benefits of Compliance</b>	
5	6	<b>Guidelines for Compliance</b>	<b>40</b>
6	7	<b>Internal Controls</b>	<b>10</b>
	8	<b>The Internal Audit Role</b>	
7	9	<b>Professionalism</b>	<b>10</b>
	10	<b>Corporate Governance Perspectives</b>	
		<b>Total</b>	<b>100</b>

## ASSESSMENT STRUCTURE

This will be a 150 minutes examination of 100 multiple choice questions. All questions will carry equal marks. There will be no negative marking.

# **SUMMARY OF THE SYLLABUS**

## **ELEMENT 1**

### **FUNDAMENTALS OF COMPLIANCE**

On completion, the candidate should:

- 1.1 Know the definition and purpose of compliance and the role it has to perform Know and be able to describe the meaning of compliance, its concept, scope and importance in an organization
- 1.2 Understand the compliance department and its organizational structure within a brokerage firm
- 1.3 Know the Compliance and Control Functions and Understand the interdependence between compliance and control systems in an organization
- 1.4 Understand the functions of compliance department/officer
- 1.5 Know and understand the most common methods of establishing a compliance culture within the organization
- 1.6 Understand the importance of compliance department coordination with business units and senior management
- 1.7 Understand the importance of compliance department coordination with risk management and internal audit as other control departments
- 1.8 Know the key factors determining the effectiveness of a compliance program and the regulator's related required criteria for organizations
- 1.9 Know the role and job description of a compliance officer

## **ELEMENT 2**

### **ROLES AND RESPONSIBILITIES**

On completion, the candidate should:

2.1 Know the specific roles and responsibilities of the board of directors with respect to compliance function

2.2 Know the specific roles and responsibilities of the management with respect to the compliance function

2.3 Understand the specific roles, responsibilities and duties of the Compliance Officer

2.4 Understand the specific roles and responsibilities of the compliance committee with respect to compliance function

2.5 Understand the specific roles and responsibilities of the audit committee with respect to compliance function

2.6 Understand the specific roles and responsibilities of internal audit with respect to compliance function

## **ELEMENT 3**

### **ESTABLISHING AND MONITORING COMPLIANCE**

On completion, the candidate should:

3.1 Know various law and implementing regulations that govern the local capital market

3.2 Learn how to develop an effective compliance infrastructure in an organization

3.3 Learn how to design and develop a comprehensive compliance program in an organization

3.4 Understand the importance of carrying out an effective compliance monitoring program

3.5 Be able to segregate through Firewalls

3.5.1 Know the meaning of Chinese walls and how it was initially used

3.5.2 Know the importance of Chinese walls for the organisation

3.5.2.1 Know the purpose of Chinese walls in an organization

3.5.2.2 Know the concept of Chinese walls in relation to insider trading activities

3.5.2.3 Know the concept of Chinese walls in relation to conflicts of interest situations

3.5.2.4 Know the concept of Chinese walls in relation to segregation of functions

3.5.3 Know the advantages of having proper Chinese walls arrangement in an organization

3.5.4 Understand the disadvantages of Chinese wall arrangement in an organization

3.5.5 Understand the limitation of Chinese walls arrangement in an organization

3.5.6 Know the elements that make up effective Chinese wall arrangements

## **ELEMENT 4**

### **RISK MANAGEMENT**

On completion, the candidate should:

- 4.1 Know and Understand the Risk Management
- 4.2 Understand Risk Management in a Fiduciary Relationship
- 4.3 Understand and Evaluate Risk Management Infrastructure
- 4.4 Be able to apply Tools for Risk Management
- 4.5 Know the Ethics of Risk Management



## **ELEMENT 5**

### **COSTS AND BENEFITS OF COMPLIANCE AND CASE STUDIES**

On completion, the candidate should:

5.1 Know and Understand the Costs of Compliance & Non-compliance

5.2 Be able to evaluate the Benefits of Compliance

5.3 Know the Equity Market Crash of 1987, asset price bubble of 1991, 1997-98 Asian Financial Crisis and Economic Crisis and 2008 Financial and economic downturn

## **ELEMENT 6**

### **GUIDELINES FOR COMPLIANCE**

On completion, the candidate should:

6.1 Know the regulations of Standardized Account Opening Form (SAOF) and the required compliance

6.2 Know the regulations governing manner of transaction of Member's Business and the required compliance

6.3 Know the regulations governing the Confirmations of Client Orders and the required compliance

6.4 Know the regulations governing the Maintenance of Accounts of Members and the required compliance

6.5 Know the regulations governing the Maintenance of Books of Accounts of Members both Corporate and Non-Corporate and the required compliance

6.6 Know the regulations for printing the details on Members Correspondence and Contracts and the required compliance

6.7 Know the regulations governing registration of Brokers and the required compliance

6.8 Know the regulations governing the registration of Agents and the required compliance

6.9 Know the regulations governing agent's dealings and the required compliance

6.10 Know the regulations governing Deliverable Futures Contracts and the required compliance

6.11 Know the regulations governing Short Selling under Ready market and the required compliance

6.12 Know the regulations governing the Members Branch Offices and the required compliance

6.13 Know the regulations governing the Net Capital Balance and Capital Adequacy Requirement of the brokers and the required compliance

6.14 Know the regulations governing the Leveraged Financing and Pledging in the Securities Markets and the required compliance

6.15 Know the regulations governing the segregation of Client Fund and Securities and the required compliance

6.16 Know the regulations governing the trading by the employees of the brokerage houses and the required compliance

6.17 Know the listing regulations of the exchanges and the required compliance

6.18 Know the regulations prohibiting the illegal financing (in-house badla)

6.19 Understand the general obligations of the brokerage house/Broker

## **ELEMENT 7**

### **INTERNAL CONTROLS**

On completion, the candidate should:

- 7.1 Know Why Controls are required?
- 7.2 Understand the Control Framework-COSO
- 7.3 Understand Other Control Models
- 7.4 Understand its Links to Risk Management
- 7.5 Know Control Mechanisms
- 7.6 Understand the Importance of Procedures
- 7.7 Know Integrating Controls
- 7.8 Understand the importance of Internal Control Awareness Training

## **ELEMENT 8**

### **THE INTERNAL AUDIT ROLE**

On completion, the candidate should:

- 8.1 Know the Purpose of Auditing?
- 8.2 Be able to Define Internal Audit
- 8.3 Understand The Audit Charter
- 8.4 Understand Audit Services
- 8.5 Understand the importance of Independence
- 8.6 Know the Audit Ethics
- 8.7 Understand the Required Audit Competencies
- 8.8 Understand the Training and Development Needs

## **ELEMENT 9**

### **PROFESSIONALISM**

On completion, the candidate should:

9.1 Know the Audit Professionalism

9.2 Understand Internal Auditing Standards

9.3 Understand Due Professional Care

9.4 Know Professional Consulting Services

9.5 Be able to apply The Quality Concept

9.6 Be able to define the Client

9.7 Be able to Differentiate between Internal Review and External Review

9.8 Understand the need of Marketing the Audit Role

9.9 Understand the value of Continuous Improvement

## **ELEMENT 10**

### **CORPORATE GOVERNANCE PERSPECTIVES**

On completion, the candidate should:

- 10.1 Understand the Agency Concept
- 10.2 Understand Corporate Ethics and Accountability
- 10.3 Know International Scandals and their Impact
- 10.4 Understand Models of Corporate Governance
- 10.5 Be able to Put Governance into Practice
- 10.6 Understand the External Audit
- 10.7 Know the Audit Committee Functions

## RECOMMENDED READINGS

The next section of this study guide covers a brief extract from some of the below mentioned documents. Candidates are advised to study the respective documents in detail and original which is available free-to-download from IFMP's website and / or the respective organization's websites.

1. Anti-Money Laundering Act 2010
2. Anti-Money Laundering Regulations 2008
3. Anti-Money Laundering Rules 2008
4. Bond Automated Trading System (BATS) Regulations 2009
5. Broker Agents Registration Rules 2001
6. CDC Act 1997
7. CDC Regulations
8. Code of Corporate Governance 2012
9. Companies Ordinance, 1984
10. Directive to Brokers on Conduct of Business February 7, 2003
11. Income Tax Ordinance 2001
12. ISE/ KSE/ LSE Listing Regulations
13. KSE Investor Protection Fund Regulations
14. KSE Cash Settled Future Contract Regulations October 2008
15. KSE Members Default Management Regulations Sep 2009
16. KSE Deliverable Future Contract Regulations April 2009
17. General Regulations of KSE Amended August 20, 2009
18. Karachi Automated Trading System (KATS) Regulations March 1998
19. KSE Investor Protection Fund Regulations
20. Margin Trading Regulations October 2004
21. NCCPL Procedure 2003
22. NCCPL Regulations 2003
23. NCEL General Regulations May 2007
24. NCEL Commodity Exchange and Futures Contracts Rules March 2005
25. Regulations Governing Over the Counter Market September 2009
26. Regulations Governing System Audit of Brokers of Exchanges 2004
27. SECP Act 1997
28. Securities Act, 2015
29. Short Selling Regulations 2002
30. Stock Exchange Members (Inspection of Books and Record) Rules , 2001
31. Securities and Exchange Rules 1971